



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
LESLIE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.STATE.KY.US/AGENCIES/APA**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
LESLIE COUNTY OFFICIALS.....	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS.....	5
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	9
NOTES TO FINANCIAL STATEMENTS	13
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE.....	21
SCHEDULE OF OPERATING REVENUE	23
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	36
SCHEDULE OF UNBUDGETED EXPENDITURES.....	49
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	51
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	54
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	57
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	64
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	66
APPENDIX A:	
CERTIFICATION OF COMPLIANCE – LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Onzie Sizemore, County Judge/Executive
Members of the Leslie County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Leslie County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Leslie County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Leslie County, Kentucky prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Leslie County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Onzie Sizemore, County Judge/Executive
Members of the Leslie County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Leslie County, Kentucky, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. The other information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying Findings and Questioned Costs included herein, which discusses the following areas of noncompliance:

- The Fiscal Court Should Pay Invoices In A Timely Manner
- County Funds Should Not Have A Deficit
- The Fiscal Court Should Annually Review The Administrative Code
- The Fiscal Court Should Maintain Adequate Documentation For Bridge Expenditures
- County Employees Should Not Be Treated As Independent Contractors
- The Fiscal Court Should Monitor Ambulance Franchise Fee Collections
- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$1,008,315 As Collateral And Entered Into A Written Agreement To Protect Deposits
- The County Should Adopt A Written Investment Policy

In accordance with Government Auditing Standards, we have also issued our report dated July 23, 1999 on our consideration of Leslie County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 23, 1999

LESLIE COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Onzie Sizemore	County Judge/Executive
Phillip Lewis	County Attorney
James Lewis	County Clerk
Carmoletta Morgan Pace	Circuit Court Clerk
Ford Bowling	Sheriff
Eugene Roberts	Jailer
Jean Ann Wooton	Property Valuation Administrator
Helen Madden	County Treasurer
Greg Walker	Coroner
James Boggs	Magistrate
Ruie Colwell	Magistrate
William Lewis	Magistrate
Billy Sizemore	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

LESLIE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:	
Cash	\$ 60,035
Road and Bridge Fund:	
Cash	52,575
Jail Fund:	
Cash	5,180
Local Government Economic Assistance Fund:	
Cash	161,338
Senior Citizens Fund:	
Cash	8,181
Summer Recreation Fund:	
Cash	6,404
Summer Youth Education Training Program Fund:	
Cash	22,363
E-911 Fund:	
Cash	98,439
Road Paving Lease Fund:	
Cash	1,224
Leslie County Public Properties Corporation Fund:	
1988 Series B Sinking Fund Account	1,395
1988 Series B Debt Service Reserve Account	35,000
1994 Bond Sinking Fund Account	2
1994 Bond Debt Service Reserve Account	42,634
Community Development Block Grant Waterline Fund:	
Cash	1,704
Juvenile Justice Fund:	
Cash	526
Payroll Fund - Cash	8,717

Other Resources

Road and Bridge Fund:	
Amounts to be Provided in Future Years for Road	
Paving Capital Lease Principal Obligation	242,000
Amounts to be Provided in Future Years for Road	
Paving Capital Lease Principal Obligation	465,900

The accompanying notes are an integral part of the financial statements.

LESLIE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1998
 (Continued)

Assets and Other Resources (Continued)

Other Resources (Continued)

Local Government Economic Assistance Fund:	
Amounts to be Provided in Future Years for Land	
Capital Lease Principal Obligation	\$ 118,266
Public Properties Corporation Fund:	
Amounts to be Provided in Future Years for	
1988 Series B Bond Principal Payment	198,605
1994 Bond Issue Principal Payment	<u>1,212,364</u>
Total Assets and Other Resources	<u>\$ 2,742,852</u>

Liabilities and Fund Balances

Liabilities

General Fund:	
Unpaid Obligations (Note 7A)	\$ 198,407
Road and Bridge Fund:	
Unpaid Obligations (Note 7B)	45,919
Capital Lease Principal Obligation (Note 6A)	242,000
Capital Lease Principal Obligation (Note 6B)	465,900
Local Government Economic Assistance Fund:	
Unpaid Obligations (Note 7C)	13,910
Capital Lease Principal Obligation (Note 6C)	118,266
Public Properties Corporation Fund:	
1988 Series B - Bond Principal Not Matured (Note 5A)	235,000
1994 Bond Issue - Bond Principal Not Matured (Note 5B)	1,255,000
Payroll Fund	8,717

Fund Balances

Reserved:	
Senior Citizens Fund	8,181
Summer Recreation Fund	6,404
Summer Youth Education Training Program Fund	22,363
E-911 Fund	98,439
Road Paving Lease Fund	1,224
Community Development Block Grant Waterline Fund	1,704
Juvenile Justice Fund	526

LESLIE COUNTY

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
June 30, 1998
(Continued)

Liabilities and Fund Balances (Continued)

Fund Balance (Continued)

Unreserved:

General Fund	\$ (138,372)
Road and Bridge Fund	6,656
Jail Fund	5,180
Local Government Economic Assistance Fund	<u>147,428</u>

Total Liabilities and Fund Balances	<u><u>\$ 2,742,852</u></u>
-------------------------------------	----------------------------

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

LESLIE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,769,798	\$ 918,852	\$ 937,341	\$ 43,301
Transfers In	610,015	100,000	130,000	110,000
Kentucky Advance Revenue Program	1,074,380	396,325	678,055	
Lease-Purchase Proceeds	618,267			
Total Cash Receipts	<u>\$ 6,072,460</u>	<u>\$ 1,415,177</u>	<u>\$ 1,745,396</u>	<u>\$ 153,301</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,641,221	\$ 868,730	\$ 757,677	\$ 148,556
Schedule of Unbudgeted Expenditures- Road Paving Lease Fund	500,000			
Transfers Out	610,015	231,198	330,817	
Bonds:				
Principal Paid	140,000			
Interest Paid	100,770			
Borrowed Money Repaid	128,266			
Kentucky Advance Revenue Program Repaid	1,074,380	396,325	678,055	
Lease Principal Payments	87,100		87,100	
Total Cash Disbursements	<u>\$ 6,281,752</u>	<u>\$ 1,496,253</u>	<u>\$ 1,853,649</u>	<u>\$ 148,556</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>\$ (209,292)</u>	<u>\$ (81,076)</u>	<u>\$ (108,253)</u>	<u>\$ 4,745</u>
Cash Balance - July 1, 1997	<u>706,292</u>	<u>141,111</u>	<u>160,828</u>	<u>435</u>
Cash Balance - June 30, 1998	<u>\$ 497,000</u>	<u>\$ 60,035</u>	<u>\$ 52,575</u>	<u>\$ 5,180</u>

The accompanying notes are an integral part of the financial statements.

LESLIE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Senior Citizens Fund	Summer Recreation Fund	Summer Youth Education Training Program Fund	E-911 Fund
\$ 1,004,183 34,000	\$ 85,354 4,000	\$ 17,622	\$ 120,187	\$ 93,748
118,267				
<u>\$ 1,156,450</u>	<u>\$ 89,354</u>	<u>\$ 17,622</u>	<u>\$ 120,187</u>	<u>\$ 93,748</u>
\$ 1,016,353	\$ 85,962	\$ 22,747	\$ 117,715	\$ 79,595
44,000	4,000			
128,266				
<u>\$ 1,188,619</u>	<u>\$ 89,962</u>	<u>\$ 22,747</u>	<u>\$ 117,715</u>	<u>\$ 79,595</u>
\$ (32,169) 193,507	\$ (608) 8,789	\$ (5,125) 11,529	\$ 2,472 19,891	\$ 14,153 84,286
<u>\$ 161,338</u>	<u>\$ 8,181</u>	<u>\$ 6,404</u>	<u>\$ 22,363</u>	<u>\$ 98,439</u>

LESLIE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Middlefork Waterline Fund	Cutshin Waterline Fund	Road Paving Lease Fund	Public Properties Corporation 1988 Series B Bond Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 24,500	\$ 518,590	\$ 1,224	\$ 2,772
Transfers In				31,198
Kentucky Advance Revenue Program				
Lease-Purchase Proceeds			500,000	
Total Cash Receipts	<u>\$ 24,500</u>	<u>\$ 518,590</u>	<u>\$ 501,224</u>	<u>\$ 33,970</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 24,500	\$ 518,590	\$	\$
Schedule of Unbudgeted Expenditures-			500,000	
Road Paving Lease Fund				
Transfers Out				
Bonds:				
Principal Paid				15,000
Interest Paid				18,965
Borrowed Money Repaid				
Kentucky Advance Revenue Program				
Repaid				
Lease Principal Payments				
Total Cash Disbursements	<u>\$ 24,500</u>	<u>\$ 518,590</u>	<u>\$ 500,000</u>	<u>\$ 33,965</u>
Excess (Deficiency) of Cash Receipts				
Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 1,224	\$ 5
Cash Balance - July 1, 1997	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,390</u>
Cash Balance - June 30, 1998	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,224</u>	<u>\$ 36,395</u>

LESLIE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1998
(Continued)

Public Properties Corporation 1994 Bond Fund	CDBG Waterline Fund	Juvenile Justice Fund
\$ 2,124 200,817	\$	\$
<u>\$ 202,941</u>	<u>\$ 0</u>	<u>\$ 0</u>
	\$ 796	\$
125,000 81,805		
<u>\$ 206,805</u>	<u>\$ 796</u>	<u>\$ 0</u>
<u>\$ (3,864)</u> 46,500	<u>\$ (796)</u> 2,500	<u>\$ 0</u> 526
<u>\$ 42,636</u>	<u>\$ 1,704</u>	<u>\$ 526</u>

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Leslie County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Leslie County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Jointly Governed Organizations

The Leslie County Fiscal Court, in conjunction with the Clay County Fiscal Court has created an Industrial Development Authority for the purpose of developing an industrial park. Each county appoints three of the six board members. The county did not appropriate any funds for the industrial park during the fiscal year.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 3. Deposits (Continued)

As of June 30, 1998, the bank balances were fully insured or collateralized with securities held by the county's agent in the county's name. However, as of July 14, 1997, the uncollateralized amount on deposit was \$1,008,315. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit. In addition, the county did not have a written agreement with the depository institution.

	<u>Bank Balance</u>
Collateralized with securities held by the county's agent in the county's name	\$ 1,008,749
Federal Deposit Insurance Corporation	200,000
Uncollateralized and uninsured	<u>1,008,315</u>
Total	<u>\$ 2,217,064</u>

Note 4. Lease-Purchase

The county entered into a lease agreement with Xerox Corporation for the purchase of a copier on May 27, 1997. Terms of the agreement stipulate a four-year payment schedule. As of June 30, 1998 the amount outstanding was \$8,619.

Note 5. Long-Term Debt

- A. The county is liable for the following bonds outstanding issued by the Leslie County Public Properties Corporation. Interest is due semiannually on August 1 and February 1 for Series B Bond Fund. In addition, interest is due semiannually on September 1 and March 1 for the 1994 Bond Issue. The proceeds from these bonds are to be used for road improvement and the courthouse annex. The total principal outstanding is \$235,000 for the 1988 Series B bond fund. The total principal outstanding is \$1,255,000 for the 1994 bond fund.

Leslie County Public Properties Corporation – Series B Bond Fund:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 1999	\$ 17,900	\$ 15,000
June 2000	16,820	15,000
June 2001	15,725	20,000
June 2002	14,245	20,000
June 2003	<u>12,745</u>	<u>20,000</u>
Totals	<u>\$ 77,435</u>	<u>\$ 90,000</u>

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 5. Long-Term Debt (Continued)

B. Leslie County Public Properties Corporation – 1994 Bond Fund:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 1999	\$ 75,555	\$ 130,000
June 2000	68,730	135,000
June 2001	61,305	140,000
June 2002	53,255	150,000
June 2003	44,255	160,000
Totals	<u>\$ 303,100</u>	<u>\$ 715,000</u>

Note 6. Lease-Purchase Agreements

- A. The county entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the purpose of road paving. Terms of the lease agreement stipulate a ten-year repayment schedule with variable monthly interest payments. As of June 30, 1998, the principal balance remaining was \$242,000. Lease payments for the next five years are:

<u>Due Date</u>	<u>Scheduled Interest and Fees</u>	<u>Scheduled Principal</u>
June 1999	\$ 13,877	\$ 56,000
June 2000	10,244	59,000
June 2001	6,420	62,000
June 2002	2,406	65,000
Totals	<u>\$ 32,947</u>	<u>\$ 242,000</u>

- B. The county entered into a lease agreement with the Kentucky Area Development District for the purpose of road paving. Terms of the lease agreement stipulate a ten-year repayment schedule with variable semiannual interest payments. As of June 30, 1998, the principal balance remaining was \$465,900. Lease payments for the next five years are:

<u>Due Date</u>	<u>Scheduled Interest and Fees</u>	<u>Scheduled Principal</u>
June 1999	\$ 28,467	\$ 39,500
June 2000	25,962	42,000
June 2001	23,300	44,700
June 2002	20,467	47,500
June 2003	17,456	50,500
Totals	<u>\$ 115,652</u>	<u>\$ 224,200</u>

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 6. Lease-Purchase Agreements (Continued)

- C. The county entered into a lease agreement with Hyden Citizens Bank for the acquisition of land. Terms of the lease agreement stipulate a five-year monthly repayment schedule. As of June 30, 1998, the principal balance remaining was \$118,266. Lease payments for the next five years are:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 1999	\$ 5,506	\$ 21,325
June 2000	4,411	22,420
June 2001	3,236	23,595
June 2002	2,011	24,819
June 2003	724	26,107
Totals	<u>\$ 15,888</u>	<u>\$ 118,266</u>

Note 7. Unpaid Obligations

Unpaid obligations represent commitments made during the fiscal year that were outstanding as of June 30, 1998.

- a) General Fund unpaid obligations are:

<u>Category</u>	<u>Amount</u>
Property and Liability Insurance	\$ 134,762
Unemployment Insurance	20,529
Workers' Compensation Insurance	28,254
Election Supplies	9,356
Custodial Supplies	5,506
Total	<u>\$ 198,407</u>

- b) Road and Bridge Fund unpaid obligation is:

<u>Category</u>	<u>Amount</u>
Gravel	<u>\$ 45,919</u>

LESLIE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998
 (Continued)

Note 7. Unpaid Obligations (Continued)

Unpaid obligations represent commitments made during the fiscal year that were outstanding as of June 30, 1998.

c) Local Government Economic Assistance Fund unpaid obligations are:

<u>Category</u>	<u>Amount</u>
Fuel	\$ 11,102
Nixon Center Repairs	<u>2,808</u>
Total	<u>\$ 13,910</u>

Note 8. Subsequent Events

a) During our review of subsequent events, we found that the county owes \$546,393 in delinquent insurance payments. This includes property and liability insurance coverage, unemployment insurance coverage and workers' compensation insurance coverage for fiscal year ended June 30, 1998; June 30, 1999; and June 30, 2000. The following is a summary of unpaid insurance premiums as of July 23, 1999:

<u>Insurance Category</u>	<u>Amount</u>
Property and Liability Insurance	\$ 359,957
Unemployment Insurance	83,981
Workers' Compensation Insurance	<u>102,455</u>
Grand Total	<u>\$ 546,393</u>

b) Subsequent to our audit period, we reviewed a \$4,000,000 grant agreement between the Leslie County Fiscal Court and the Department for Local Government for the Leslie County Community Development and Training Center Project. Section two of the grant agreement stipulates all of the obligations the Leslie County Fiscal Court must meet in order to fully comply with the agreement. On July 19, 1999, the County Judge Executive and the Leslie County Board of Education Superintendent executed a deed of conveyance for a building. For consideration of the building, the Leslie County Board of Education shall receive \$415,000 to be paid as recited in a contract and lease agreement simultaneously agreed to by the parties. According to the information made available to the auditors, we could find no evidence that the lease agreement was signed when the deed was executed. We were not provided with any records or documents that indicate prior approval or authorization for these transactions by either the Leslie County Fiscal Court or the Leslie County School Board.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 9. Insurance

- a) For the fiscal year ended June 30, 1998, Leslie County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.
- b) The Leslie County Judge/Executive is a member of the Kentucky Association of Counties Board of Directors and the Kentucky Association of Counties Workers' Compensation Board of Directors.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

LESLIE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 1,252,485	\$ 918,852	\$ (333,633)
Road and Bridge Fund	1,702,150	937,341	(764,809)
Jail Fund	156,000	43,301	(112,699)
Local Government Economic Assistance Fund	1,148,478	1,004,183	(144,295)
Senior Citizens Fund	91,718	85,354	(6,364)
Summer Recreation Fund	27,577	17,622	(9,955)
Summer Youth Education Training Program	117,721	120,187	2,466
E-911 Fund	92,600	93,748	1,148
Middlefork Waterline Fund	28,000	24,500	(3,500)
Cutshin Waterline Fund	554,000	518,590	(35,410)
Community Development Block Grant Waterline Fund	748,192		(748,192)
Local Government Economic Development Fund	1,500,000		(1,500,000)
Flood Relief Fund	200,000		(200,000)
ISTEA Grant Fund	250,000		(250,000)
EDA Confluence Grant Fund	1,000,000		(1,000,000)
Totals	<u>\$ 8,868,921</u>	<u>\$ 3,763,678</u>	<u>\$ (5,105,243)</u>
Reconciliation			
Total Budgeted Operating Revenue Above			\$ 8,868,921
Add: Budgeted Prior Year Surplus			330,850
Less: Other Financing Uses			<u>(1,405,270)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 7,794,501</u>

SCHEDULE OF OPERATING REVENUE

LESLIE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes and Excess Fees</u>				
Sheriff:				
Taxes	\$ 505,701	\$ 505,701	\$	\$
Bank Deposit Tax	14,249	14,249		
Cellular Phone Tax	4,569	4,569		
County Clerk:				
Deed Transfer Tax	2,686	2,686		
Delinquent Taxes	19,614	19,614		
Excess Fees - 1997	1,722	1,722		
Delinquent Tax - State	450	450		
Tangible Personal Property Taxes:				
Other Counties	9,165	9,165		
County Clerk	70,425	70,425		
In Lieu of Taxes:				
Tennessee Valley Authority	1,429	1,429		
Other	33,455	33,455		
Totals	<u>\$ 663,465</u>	<u>\$ 663,465</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>U.S. Treasurer</u>				
Lake Patrol	<u>\$ 7,590</u>	<u>\$ 7,590</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grant - Coordinator Salary	\$ 5,080	\$ 5,080	\$	\$
Abandoned Land Reclamation				
Program - Middlefork Waterline	24,500			
Abandoned Land Reclamation				
Program - Cutshin Waterline	518,590			
Disaster and Emergency Assistance				
Grant - 1997 Flood Relief	6,671		6,671	
Title III Senior Citizens Grant	46,689			

LESLIE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Senior Citizens Fund	Summer Recreation Fund	Summer Youth Education Training Program Fund	E-911 Fund
-------------------------------------------------------	----------------------------	------------------------------	----------------------------------------------------------	---------------

\$	\$	\$	\$	\$
----	----	----	----	----

\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
------	------	------	------	------

\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
------	------	------	------	------

\$	\$	\$	\$	\$
----	----	----	----	----

46,689

LESLIE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Middlefork Waterline Fund	Cutshin Waterline Fund	Road Paving Lease Fund	Public Properties Corporation 1988 Series B Bond Issue
Revenue From Local Taxes and Excess Fees				
Sheriff:				
Taxes	\$	\$	\$	\$
Bank Deposit Tax				
Cellular Phone Tax				
County Clerk:				
Deed Transfer Tax				
Delinquent Taxes				
Excess Fees - 1997				
Delinquent Tax - State				
Tangible Personal Property Taxes:				
Other Counties				
County Clerk				
In Lieu of Taxes:				
Tennessee Valley Authority				
Other				
Totals	\$ 0	\$ 0	\$ 0	\$ 0
<u>U.S. Treasurer</u>				
Lake Patrol	\$ 0	\$ 0	\$ 0	\$ 0
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grant - Coordinator Salary	\$	\$	\$	\$
Abandoned Land Reclamation				
Program - Middlefork Waterline	24,500			
Abandoned Land Reclamation				
Program - Cutshin Waterline		518,590		
Disaster and Emergency Assistance				
Grant - 1997 Flood Relief				
Title III Senior Citizens Grant				

LESLIE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Public
 Properties
 Corporation
 1994 Bond
Issue

\$

\$ 0

\$ 0

\$

LESLIE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Federal Receipts - State Treasurer</u> (Continued)				
United States Department of Agriculture Reimbursement	\$ 29,983	\$	\$	\$
Job Training Grant	120,187			
National Forestry Receipts	40,326		40,326	
Totals	<u>\$ 792,026</u>	<u>\$ 5,080</u>	<u>\$ 46,997</u>	<u>\$ 0</u>
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 31,142	\$	\$	\$ 31,142
Medical Allotments	3,166			3,166
Driving Under The Influence Fees	2,231			2,231
Title III Senior Citizens Grant	8,682			
County Road Aid	681,366		681,366	
Truck License Distribution	151,651		151,651	
Road Energy Recovery	10,523		10,523	
Strip Mine Permits	14,595		14,595	
Courthouse Rental - Administrative				
Office of the Courts	87,140	87,140		
Refunds:				
Legal Process Tax	78	78		
Driver Licenses	1,148		1,148	
Dog Licenses	133	133		
Severance Taxes:				
Coal	764,890			
Mineral	234,898			
Board of Assessments	250	250		
Grants:				
Disaster and Emergency Assistance Grant - Coordinator Salary	3,989	3,989		
Totals	<u>\$ 1,995,882</u>	<u>\$ 91,590</u>	<u>\$ 859,283</u>	<u>\$ 36,539</u>

LESLIE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Senior Citizens Fund	Summer Recreation Fund	Summer Youth Education Training Program Fund	E-911 Fund
\$	\$ 29,983	\$	\$ 120,187	\$
<u>\$ 0</u>	<u>\$ 76,672</u>	<u>\$ 0</u>	<u>\$ 120,187</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$
	8,682			
764,890				
234,898				
<u>\$ 999,788</u>	<u>\$ 8,682</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

LESLIE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Middlefork Waterline Fund	Cutshin Waterline Fund	Road Paving Lease Fund	Public Properties Corporation 1988 Series B Bond Issue
<u>Federal Receipts - State Treasurer</u> (Continued)				
United States Department of Agriculture Reimbursement	\$	\$	\$	\$
Job Training Grant				
National Forestry Receipts				
Totals	<u>\$ 24,500</u>	<u>\$ 518,590</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$	\$	\$	\$
Medical Allotments				
Driving Under The Influence Fees				
Title III Senior Citizens Grant				
County Road Aid				
Truck License Distribution				
Road Energy Recovery				
Strip Mine Permits				
Courthouse Rental - Administrative				
Office of the Courts				
Refunds:				
Legal Process Tax				
Driver Licenses				
Dog Licenses				
Severance Taxes:				
Coal				
Mineral				
Board of Assessments				
Grants:				
Disaster and Emergency				
Assistance Grant -				
Coordinator Salary				
Totals	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

LESLIE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Public
 Properties
 Corporation
 1994 Bond
Issue

\$

\$ 0

\$

\$ 0

LESLIE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 53,384	\$ 12,834	\$ 27,326	\$
Circuit Court Clerk:				
Jail Cost	5,962			5,962
Water District Fuel Reimbursement	5,450	5,450		
Board of Education Rent	96,750	96,750		
Donations	5,800	5,800		
Solid Waste Franchise Fees	13,631	13,631		
Charges for Services:				
Swimming Pool	4,570			
Vending Machine Commissions	10,103			
Concessions	1,191			
Swimming Pool - Rent	1,000			
Leslie County Telephone	91,039			
Reimbursements/Refunds	19,882	16,147	3,735	
Miscellaneous Items	2,073	515		800
Totals	\$ 310,835	\$ 151,127	\$ 31,061	\$ 6,762
Total Operating Revenue	<u>\$ 3,769,798</u>	<u>\$ 918,852</u>	<u>\$ 937,341</u>	<u>\$ 43,301</u>

LESLIE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Senior Citizens Fund	Summer Recreation Fund	Summer Youth Education Training Program Fund	E-911 Fund
\$ 4,395	\$	\$	\$	\$ 2,709
		4,570 10,103 1,191 1,000		91,039
		758		
\$ 4,395	\$ 0	\$ 17,622	\$ 0	\$ 93,748
\$ 1,004,183	\$ 85,354	\$ 17,622	\$ 120,187	\$ 93,748

LESLIE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Middlefork Waterline Fund	Cutshin Waterline Fund	Road Paving Lease Fund	Public Properties Corporation 1988 Series B Bond Issue
<u>Miscellaneous Revenue</u>				
Interest	\$	\$	\$ 1,224	\$ 2,772
Circuit Court Clerk:				
Jail Cost				
Water District Fuel Reimbursement				
Board of Education Rent				
Donations				
Solid Waste Franchise Fees				
Charges for Services:				
Swimming Pool				
Vending Machine Commissions				
Concessions				
Swimming Pool - Rent				
Leslie County Telephone				
Reimbursements/Refunds				
Miscellaneous Items				
Totals	\$ 0	\$ 0	\$ 1,224	\$ 2,772
Total Operating Revenue	\$ 24,500	\$ 518,590	\$ 1,224	\$ 2,772

LESLIE COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Public
 Properties
 Corporation
 1994 Bond
Issue

\$ 2,124

\$ 2,124
\$ 2,124

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

LESLIE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	Final <u>Budget</u>	Budgeted <u>Expenditures</u>	Under (Over) <u>Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 48,312	\$ 48,312	\$
Finance Officer	26,010	26,010	
Assistant Finance Officer	26,010	26,010	
Secretary	5,445	5,357	88
Office Materials and Supplies	10,000	8,097	1,903
Other Materials and Supplies	5,000	4,175	825
Postage	2,000	1,724	276
Office Equipment	5,000		5,000
Miscellaneous	1,000	268	732
Office of County Attorney:			
Salaries-			
County Attorney	18,700	18,668	32
Assistant County Attorney	6,000	6,000	
Office Rent	5,040	5,040	
Office of County Clerk:			
Fiscal Court Recorder	2,400	2,400	
Voting Booth Expenses	300		300
Office Materials and Supplies	6,000	3,474	2,526
Printing and Binding	5,000	1,164	3,836
Copy Machine Lease Payments	4,500	4,396	104
Tax Bill Preparation	3,500	1,666	1,834
Reimbursement Fees	6,000	987	5,013
Office of Sheriff:			
Salaries-			
Deputies	5,298	5,298	
Deputies-Local Law Enforcement			
Block Grant	16,398	16,398	
Tax Bill Postage	2,500	1,093	1,407
Lake Patrol	8,011	7,590	421

LESLIE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1988
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Fiscal Court:			
Magistrates-			
Salaries	\$ 84,578	\$ 84,578	\$
Expense Allowance	14,400	14,400	
Office of Property Valuation Administrator:			
Statutory Contribution	12,192	12,178	14
Office of Board of Assessment Appeals:			
Per Diem	2,500	500	2,000
Office of County Treasurer:			
County Treasurer Salary	21,490	21,484	6
Office Materials and Supplies	500	1	499
County Law Library:			
Law Librarian Salary	1,200	1,200	
Office of Circuit Court Clerk:			
Grand Jury Reporter	2,000	1,116	884
Elections:			
Per Diem-			
Election Commissioners	800		800
Election Officers	4,320	6,465	(2,145)
Advertising	1,500		1,500
Polling Places	150		150
Printing and Supplies	3,400		3,400
Telephone	640	638	2
Courthouse:			
Janitor Salary	31,803	31,790	13
Elevator Maintenance	1,296	1,276	20
Fire Alarm Maintenance	1,200	391	809
Contracted Construction	410	410	
Telephone	31,000	30,950	50
Materials and Supplies	25,000	24,120	880
Utilities	96,700	96,693	7

LESLIE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1988
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Other County Properties:			
Building Maintenance and Repairs-			
Contract Labor	\$ 51,090	\$ 51,089	\$ 1
Motor Vehicles	2,470	2,461	9
<u>Protection to Persons and Property</u>			
Disaster and Emergency Services:			
Fire Tax	3,700		3,700
Donations	9,550	9,550	
Solid Waste Collection:			
Travel	1,916	1,915	1
<u>Social Services</u>			
Other Social Service Programs:			
Refunds	1,753	1,753	
<u>Debt Service</u>			
Borrowed Money:			
Kentucky Advance Revenue Program-			
Interest	9,412	8,474	938
Other County Liabilities:			
Court Settlements	10,000	10,000	
Other Debt Service	1,500	1,500	
<u>Administration</u>			
General Services:			
Advertising Expense	25,000	23,174	1,826
Audit Expense	23,188	23,188	

LESLIE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1988
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Administration (Continued)</u>			
General Services: (Continued)			
Bank Charges	\$ 100	\$	\$ 100
Property and Liability Insurance	93,970	65,480	28,490
Membership Dues	14,070	11,627	2,443
Contingent Appropriations:			
Reserve for Transfers	796		796
Fringe Benefits:			
County Contributions-			
Social Security	40,000	35,315	4,685
Retirement	45,000	41,413	3,587
Health Insurance	59,475	59,474	1
Worker's Compensation	819		819
Unemployment Insurance	10,000		10,000
Total Operating Budget	\$ 959,312	\$ 868,730	\$ 90,582
Other Financing Uses:			
(A) Transfers to Public Properties			
Corporation Fund -	31,198	31,198	
(B) Kentucky Advance Revenue			
Program -			
Principal	396,325	396,325	
Total General Fund	\$ 1,386,835	\$ 1,296,253	\$ 90,582

ROAD AND BRIDGE FUND

Transportation Facilities and Services

Road Facilities:			
Radio Maintenance	\$ 5,000	\$	\$ 5,000

LESLIE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1988
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	\$ 30,588	\$ 30,587	\$ 1
Road Maintenance:			
Road Labor Salaries	159,289	159,289	
Contract Labor - Road Construction	133,680	133,679	1
Contract Labor - Bridge Construction	85,233	85,233	
Asphalt	51,300	50,929	371
Concrete	25,000	23,398	1,602
Crushed Stone and Gravel	44,421	44,421	
Parts and Supplies	50,000	45,873	4,127
Road Materials	35,502	35,502	
Road Tiles	25,200	24,055	1,145
Machinery and Equipment-			
Maintenance	4,370	3,750	620
New Road Machinery	22,000	21,174	826
Tires and Tubes	15,000	10,674	4,326
Wood Products	10,000	9,875	125
<u>Debt Service</u>			
Borrowed Money:			
Kentucky Advance Revenue Program-			
Interest	16,104	14,497	1,607
Kentucky Area Development District			
Road Paving Lease - Interest	31,477	28,212	3,265
Kentucky Association of Counties			
Road Paving Lease - Interest	14,591	14,591	
Other County Liabilities:			
Other Debt Service	1,700	1,775	(75)
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	1,767		1,767

LESLIE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1988
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Administration (Continued)</u>			
National Forest Receipts	\$ 22,181	\$ 20,163	\$ 2,018
Total Operating Budget	\$ 784,403	\$ 757,677	\$ 26,726
Other Financing Uses:			
(A) Transfers to Public Properties			
Corporation Fund	202,592	200,817	1,775
(B) Kentucky Advance Revenue			
Program -			
Principal	678,055	678,055	
(C) Kentucky Area Development District			
Road Paving Lease - Principal	34,100	34,100	
(D) Kentucky Association of Counties			
Road Paving Lease - Principal	53,000	53,000	
Total Road and Bridge Fund	\$ 1,752,150	\$ 1,723,649	\$ 28,501
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 48,314	\$ 48,312	\$ 2
Jail Personnel	79,020	72,191	6,829
Operations-			
Food	22,000	18,806	3,194
Recreation Supplies and Equipment	500	347	153
Housing Juveniles	804	804	
Routine Medical	4,422	3,987	435
Miscellaneous	4,940	4,109	831
Total Jail Fund	\$ 160,000	\$ 148,556	\$ 11,444

LESLIE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1988
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>General Government</u>			
Office of Coroner:			
Salaries-			
Coroner	\$ 7,176	\$ 7,176	\$
Deputy Coroner	5,401	5,401	
Autopsies	3,479	3,479	
Supplies	1,500	1,317	183
Economic Development:			
Feasibility Study	10,000	10,000	
Other County Properties:			
Contract Labor	12,000	11,000	1,000
<u>Protection to Persons and Property</u>			
Juvenile Detention:			
Housing Juveniles	4,000		4,000
Constables:			
Salaries	5,760	5,760	
County Fire Departments:			
Donations	17,250	17,250	
Disaster and Emergency Services:			
Director's Salary	15,200	15,200	
Equipment	3,000	2,713	287
Supplies	4,500	4,425	75
Ambulance Service:			
Director	20,010	20,010	
Subsidy	5,000	5,000	
Office of Public Defender:			
Program Support	1,706	1,705	1

LESLIE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1988
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC</u>			
<u>ASSISTANCE FUND (Continued)</u>			
<u>General Health and Sanitation</u>			
Dog Control:			
Dog Warden Salary	\$ 12,320	\$ 12,320	\$
Animal Food and Supplies	6,000	5,395	605
Solid Waste:			
Coordinator's Salary	23,250	23,244	6
Senior Citizens Program:			
Cook's Salary	40,000	39,250	750
Rent	2,400	2,400	
Food	1,000	585	415
Services to Children and Youth:			
Student Summer Work Program	182,500	177,911	4,589
Other Recreation Programs:			
Nixon Center Workers' Salary	6,600	6,600	
Contract Labor	63,910	63,910	
Renewals and Repairs	40,000	31,406	8,594
Celebrations, Festivals and Cultural Programs:			
Fireworks	18,950	18,946	4
<u>Roads</u>			
Road Maintenance:			
Contract Labor-			
Bridge Construction	25,000	23,430	1,570
Asphalt	111,982	111,892	90
Crushed Stone and Gravel	100,000	76,114	23,886
Diesel Fuel	75,000	62,791	12,209
Road Materials	50,000	10,645	39,355
Bridge Materials and Supplies	15,000	5,525	9,475
Motor Vehicle Parts and Supplies	50,000	14,597	35,403

LESLIE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1988
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)</u>			
<u>Debt Service</u>			
Borrowed Money:			
Interest	\$ 6,600	\$ 6,097	\$ 503
Property and Liability Insurance	20,000	20,000	
Bank Charges	100		100
Contingent Appropriations:			
Reserve for Budget Transfers	9,455		9,455
Fringe Benefits:			
County Contributions-			
Retirement	46,411	46,410	1
Social Security	60,000	51,666	8,334
Health Insurance	66,018	64,783	1,235
Worker's Compensation	30,000	10,000	20,000
Unemployment Insurance	20,000	20,000	
Total Operating Budget	\$ 1,198,478	\$ 1,016,353	\$ 182,125
Other Financing Uses:			
(E) Borrowed Money			
Principal	10,000	128,266	(118,266)
Total Local Government Economic Assistance Fund	\$ 1,208,478	\$ 1,144,619	\$ 63,859

SENIOR CITIZENS FUND

Social Services

Senior Citizens Program:			
Food	\$ 71,930	\$ 71,584	\$ 346
Office Supplies	2,000	786	1,214
Travel	3,000	2,517	483
Vehicle Repair and Maintenance	3,636	3,636	

LESLIE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1988
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>SENIOR CITIZENS FUND (Continued)</u>			
<u>Social Services (Continued)</u>			
Senior Citizens Program: (Continued)			
Equipment	\$ 4,500	\$ 3,356	\$ 1,144
Miscellaneous	4,100	4,083	17
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	4,552		4,552
Total Senior Citizens Fund	\$ 93,718	\$ 85,962	\$ 7,756
<u>SUMMER RECREATION FUND</u>			
<u>Recreation and Culture</u>			
Other Recreation Programs:			
Building Maintenance and Supplies	\$ 3,500	\$ 1,728	\$ 1,772
Materials and Supplies	20,000	18,428	1,572
Miscellaneous	3,000	2,591	409
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	1,577		1,577
Total Summer Recreation Fund	\$ 28,077	\$ 22,747	\$ 5,330
<u>SUMMER YOUTH EDUCATION TRAINING PROGRAM FUND</u>			
<u>Social Services</u>			
Other Social Service Programs:			
Temporary/Part-Time Personnel	\$ 117,721	\$ 117,715	\$ 6

LESLIE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1988
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>E-911 FUND</u>			
<u>Protection to Persons and Property</u>			
Emergency Dispatch Service:			
Dispatch Services	\$ 46,160	\$	\$ 46,160
Engineering Services	33,325	33,323	2
Contract Work Services	43,115	33,114	10,001
Machinery and Equipment	50,000	13,158	36,842
Total E-911 Fund	<u>\$ 172,600</u>	<u>\$ 79,595</u>	<u>\$ 93,005</u>
<u>MIDDLEFORK WATERLINE FUND</u>			
<u>General Health and Sanitation</u>			
Water Systems:			
Water Transport Lines	<u>\$ 28,000</u>	<u>\$ 24,500</u>	<u>\$ 3,500</u>
<u>CUTSHIN WATERLINE FUND</u>			
<u>General Health and Sanitation</u>			
Water Systems:			
Water Transport Lines	<u>\$ 554,000</u>	<u>\$ 518,590</u>	<u>\$ 35,410</u>
<u>CDBG WATERLINE FUND</u>			
<u>General Health and Sanitation</u>			
Water Systems:			
Water Transport Lines	<u>\$ 748,192</u>	<u>\$ 796</u>	<u>\$ 747,396</u>
<u>LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND</u>			
<u>General Government</u>			
Economic Development:			
Program Support	<u>\$ 1,500,000</u>	<u>\$ 0</u>	<u>\$ 1,500,000</u>

LESLIE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1988
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>FLOOD RELIEF FUND</u>			
<u>General Health and Sanitation</u>			
Flood Control Projects:			
Flood Relief Renewals and Repairs	\$ 200,000	\$ 0	\$ 200,000
<u>ISTEA GRANT FUND</u>			
<u>Capital Projects</u>			
Buildings:			
Maintenance and Repair Services- Buildings	\$ 250,000	\$ 0	\$ 250,000
<u>EDA CONFLUENCE GRANT FUND</u>			
<u>Capital Projects</u>			
Streets and Highways:			
Special Projects	\$ 1,000,000	\$ 0	\$ 1,000,000
Total Operating Budget - All Funds	\$ 7,794,501	\$ 3,641,221	\$ 4,153,280
Other Financing Uses:			
(A) Transfers to Public Properties			
Corporation Fund	233,790	232,015	1,775
(B) Kentucky Advance Revenue Program-			
Principal	1,074,380	1,074,380	
(C) Kentucky Area Development District			
Road Paving Lease - Principal	34,100	34,100	
(D) Kentucky Association of Counties			
Road Paving Lease - Principal	53,000	53,000	
(E) Borrowed Money-			
Principal	10,000	128,266	(118,266)
TOTAL BUDGET - ALL FUNDS	\$ 9,189,771	\$ 5,034,716	\$ 4,155,055

SCHEDULE OF UNBUDGETED EXPENDITURES

LESLIE COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

<u>Expenditure Item</u>	Road Paving Lease <u>Fund</u>
Asphalt Paving	<u>\$ 500,000</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Onzie Sizemore, County Judge/ Executive
Members of the Leslie County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Leslie County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated July 23, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Leslie County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Findings and Questioned Costs.

- The Fiscal Court Should Pay Invoices In A Timely Manner
- County Funds Should Not Have A Deficit
- The Fiscal Court Should Annually Review The Administrative Code
- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$1,008,316 As Collateral And Entered Into A Written Agreement To Protect Deposits
- The County Should Adopt A Written Investment Policy

Honorable Onzie Sizemore, County Judge/ Executive
Members of the Leslie County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leslie County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Leslie County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Findings and Questioned Costs.

- The Fiscal Court Should Annually Review The Administrative Code

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above, we consider to be a material weakness.

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 23, 1999

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Onzie Sizemore, County Judge/Executive
Members of the Leslie County Fiscal Court

Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Leslie County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1998. Leslie County's major federal programs are identified in the Schedule of Findings And Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Leslie County's management. Our responsibility is to express an opinion on Leslie County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Leslie County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Leslie County's compliance with those requirements.

In our opinion, Leslie County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

Honorable Onzie Sizemore, County Judge/Executive
Members of the Leslie County Fiscal Court
Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Leslie County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Leslie County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed –
July 23, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LESLIE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Leslie County.
2. One reportable condition disclosed during the audit of the financial statements is reported in the Independent Auditor's Report. The condition is reported as a material weakness.
3. Five instances of noncompliance material to the financial statements of Leslie County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal award program for Leslie County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards program for Leslie County reported in Part C of this Schedule.
7. The program tested as major program was: Abandoned Mine Land Reclamation Programs – Cutshin and Middlefork Water Projects, CFDA # 15.252.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Leslie County was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITION ALSO CONSIDERED TO BE A MATERIAL WEAKNESS

The Fiscal Court Should Annually Review The Administrative Code

The fiscal court adopted an administrative code on August 14, 1984 as required by KRS 68.005. However, we found no indication in the fiscal court order book that the administrative code has been reviewed annually. In addition, we found that a copy of the administrative code was not filed with the fiscal court order book. We did find a copy of the administrative code on file in the county judge executive's office. However, the copy was not complete. According to KRS 68.005, the fiscal court shall review the county administrative code annually during the month of June and may by a two-thirds majority of the entire fiscal court amend the county administrative code at that time. We recommend that the county review the administrative code annually as required by KRS 68.005. Furthermore, we recommend that the review of the administrative code be documented in the fiscal court order book. As evidence of the fiscal court approval, we recommend that a complete copy of the administrative code be recorded in the fiscal court order book.

Management's Response:

We will review and comply with KRS.

LESLIE COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Fiscal Year Ended June 30, 1998
 (Continued)

NONCOMPLIANCES

1. The Fiscal Court Should Pay Invoices In A Timely Manner

During the course of our audit, we found that numerous invoices were not paid in a timely manner. We noted instances where invoices were submitted to the fiscal court for approval but were not paid until several months later. In addition, we noted that some invoices are still unpaid as of the current date for obligations made during the fiscal year. KRS 65.140 states that all bills for goods or services shall be paid within thirty working days of receipt of vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor. We have adjusted the treasurer's financial statement to reflect the unpaid obligations at year-end as follows:

	General Fund	Road and Bridge Fund	LGEA Fund
Cash in Bank at June 30, 1998	\$ 60,035	\$ 52,575	\$ 161,338
Unpaid Obligations at June 30, 1998	(198,407)	(45,919)	(13,910)
June 30, 1998 Ending Balance	<u>\$ (138,372)</u>	<u>\$ 6,656</u>	<u>\$ 47,428</u>

We recommend that the practice of obligating county funds when adequate cash is not available to cover the expenditure be stopped. Furthermore, we recommend that all members of the fiscal court review the quarterly outstanding encumbrance report to ensure compliance with KRS 65.140, which requires invoices to be paid within thirty working days.

Management's Response:

Because the former Sheriff was three years behind in property tax collections at the time he left office in January 1999, the Leslie County Fiscal Court has not received the revenue we were entitled to and budgeted for. This situation has caused our inability to pay vendors within the required thirty-day period. The State Revenue Cabinet has mandated the new Sheriff to get up to date in tax collection. For the next two calendar years the Sheriff's office will send out two property tax bills. This will bring our primary General Fund revenue source back to date and rectify our current cash flow problems.

2. County Funds Should Not Have A Deficit

At June 30, 1998 the general fund had a deficit balance of \$138,372 which resulted from unpaid obligations at the end of the fiscal year. KRS 68.110 states that the fiscal court shall not in any year expend any money in excess of the amount annually levied and collected for that year. We recommend that the fiscal court monitor the financial transactions of the county to ensure compliance with this statute.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 1998
(Continued)

NONCOMPLIANCES (Continued)

2. County Funds Should Not Have A Deficit (Continued)

Management's Response:

Substantial cutbacks in spending have already been implemented by the elimination of the county funded Student Summer Work Program. This measure, combined with an additional property tax collection in the current fiscal year, and possible liquidation of the Nixon Gymnasium, will bring our cash flow into sequence and balance and eliminate the resulting end of year deficits.

3. The Fiscal Court Should Maintain Adequate Documentation For Bridge Expenditures

During our test of expenditures, we were unable to determine if payments for individual bridge projects exceeded the administrative code bid threshold because the vendors invoices detailed projects by geographic location rather than individual bridge project. We recommend that the county maintain adequate supporting documentation for bridge construction projects. Specifically, we recommend that the county require vendors to submit detailed invoices for individual bridge projects. Furthermore, we recommend that the county obtain bids for any individual bridge projects that exceed the \$5,000 administrative code bid threshold.

Management's Response:

All future bridgework shall be billed by a standardized invoice developed by my office. Vendors will be required to use this invoice before any payment can be received. The standardized invoice shall contain all necessary information about the bridgework performed to facilitate complete audit review for bidding compliance. All bridge contracts will be awarded in accordance with bidding standards as duly adopted by the Leslie County Fiscal Court.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 1998
(Continued)

NONCOMPLIANCES (Continued)

4. County Employees Should Not Be Treated As Independent Contractors

During the audit, we found that a significant amount of individuals received compensation for services provided to the county. Payments made to these individuals were accounted for as contract labor. Therefore, no payroll taxes were withheld from payments made to these individuals. Many of these independent contractors performed the same duties as other county employees. In addition, we noted instances where time cards were maintained for these individuals even though they were paid as an independent contractor. In many cases, payments were made to the same individual throughout the fiscal year. Pursuant to state law and federal law, payroll taxes must be withheld from salaries when an employee/employer relationship exists. Failure to do so, can result in interest and penalties imposed by regulatory agencies. We recommend that the practice of accounting for employees as contract labor be stopped. Furthermore, we recommend that the county contact state and federal regulatory agencies for additional guidance on this issue.

Management's Response:

All contract laborers will be employed by written agreements at negotiated rates. Hourly payment has been maintained as a courtesy but will be discontinued. Future payments will be at job pricing only.

5. The Fiscal Court Should Monitor Ambulance Franchise Fee Collections

On July 20, 1995 the county entered into a lease agreement with a private company for the purpose of providing emergency ambulance service. Terms of the lease agreement stipulate that the private company must pay the fiscal court \$500 per month for consideration of the leased equipment and property. We have determined that no franchise fees were collected during the preceding, current, or subsequent fiscal years. From the records made available to us, delinquent franchise fees totaled \$18,000 as of June 30, 1998. Also, we found no written procedures relating to the collection of delinquent fees and there is no indication in the fiscal court order book that the company had been exonerated from paying the delinquent franchise fees. In the future, we recommend that the fiscal court monitor the collection of ambulance franchise fees for compliance with terms of the lease agreement. In addition, we recommend that the fiscal court establish written procedures for the collection of delinquent franchise fees.

Management's Response:

We will address this in fiscal court.

LESLIE COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Fiscal Year Ended June 30, 1998
 (Continued)

NONCOMPLIANCES (Continued)

6. The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$1,008,315 As Collateral And Entered Into A Written Agreement To Protect Deposits

The county's deposits were not adequately secured by \$1,008,315 as of July 14, 1997. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities for time and demand deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. The county should require the depository institution to pledge sufficient securities as collateral to insure deposits at all times. We also recommend the county enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

We now have a written agreement with bank.

7. The County Should Adopt A Written Investment Policy

The county did not adopt a written investment policy by January 1, 1995. According to KRS 66.480, the county shall by January 1, 1995, adopt a written investment policy that shall govern the investment of funds by the local government or political subdivision. The written investment policy shall include, but shall not be limited to the following:

- a) A designation of the officer or officers of the local government or political subdivision who are authorized to invest and oversee the investment of funds;
- b) A list of the permitted types of investments;
- c) Procedures designed to secure the local government's or political subdivision's financial interest in the investments;
- d) Standards for written agreements pursuant to which investments are to be made;
- e) Procedures for monitoring, control, deposit, and retention of investments and collateral;
- f) Standards for the diversification of investments, including diversification with respect to the types of investments and firms with whom the local government or political subdivision transacts business;

LESLIE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 1998
(Continued)

NONCOMPLIANCES (Continued)

7. The County Should Adopt A Written Investment Policy (Continued)

- g) Standards for the qualifications of investment agents which transact business with the local government, such as criteria covering creditworthiness, experience, capitalization, size, and any other factors that make a firm capable and qualified to transact business with the local government or political subdivision; and
- h) Requirements for periodic reporting to the governing body on the status of invested funds.

We recommend that the county adopt a written investment policy pursuant to KRS 66.480.

Management's Response:

A written investment policy will be adopted immediately. The policy will met or exceed the requirements enacted January 1, 1995 under KRS 66.480. This deficiency was not pointed out in previous audits performed by private CPA firms.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None

D. PRIOR YEAR FINDING

The following prior year finding has been corrected for the current year.

The County Judge/Executive's Quarterly Financial Report Should Include All Funds And Budget Amendments Should Be Utilized.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

LESLIE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Cash Programs</u>		
<u>U.S. Department of Housing and Urban Development</u>		
Community Development Block Grant Water Systems Improvement (CFDA #14.228)	Not Available	\$ 796
<u>U.S. Department of the Interior</u>		
Passed-Through State Department of Natural Resources:		
Abandoned Mine Land Reclamation Programs-		
Cutshin Waterline Project (CFDA #15.252)	Not Available	518,590
Middlefork Waterline Project (CFDA #15.252)	Not Available	24,500
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
Church Arson Grant (CFDA # 16.580)	Not Available	328
Law Enforcement Block Grant (CFDA # 16.592)	Not Available	16,398

LESLIE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 1998
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Cash Programs (Continued)</u>		
<u>U.S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants-		
Coordinator Salary (CFDA #83.503)	Not Available	\$ 5,080
March 1997 Flood (CFDA #83.516)	Not Available	93,184
March 1998 Flood (CFDA #83.516)	Not Available	34,887
<u>U.S. Department of Labor</u>		
Passed-Through State Summer Youth Education Training Program (CFDA # 17.250)	Not Available	117,715
<u>U.S. Department of Agriculture</u>		
Passed-Through State Department of Agriculture:		
Cash in Lieu of Commodities (CFDA #10.570)	Not Available	29,983
Passed-Through State Cabinet for Human Resources:		
Title III B, C, D (CFDA #93.045)	Not Available	46,689
Total Cash Expenditures of Federal Awards		<u>\$ 888,150</u>

See Note to the Schedule of Expenditures of Federal Awards.

LESLIE COUNTY
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1998

Note 1 - Basis of Presentation

This schedule is presented on a cash basis.

CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

LESLIE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998

Appendix A

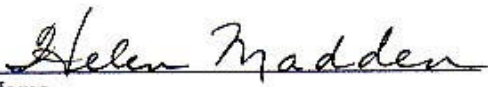
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
LESLIE COUNTY FISCAL COURT

June 30, 1998

The Leslie County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer